



CONGRESSMAN DAN LUNGREN

LISTENING TO CALIFORNIA'S 3RD DISTRICT

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Dear Friend,

The financial services rescue plan defeated in the House of Representatives represented a good faith bipartisan effort to protect our citizens from a potentially serious downturn in our economy. This was not an effort to bail out Wall Street. That is not the legitimate concern of government. Rather, Congress has an obligation to do everything within our power to try to contain the implosion in our financial markets from cascading down to the people of the 3rd Congressional District and the rest of the nation.

[Click here to listen to my KTKZ interview.](#)

Like many of you, I am angry that we find ourselves in this situation. On September 20, 2008, Treasury Secretary Paulson sent a proposal to Capitol Hill which too closely resembled a bailout of Wall Street. The original proposal was completely lacking in accountability for those in the financial community who created this mess. Congressional oversight of the plan was absent. There were inadequate protections for the American taxpayer.

However, due to the efforts of the House Minority, significant changes were made to the original Paulson proposal:

- A market oriented insurance plan was added, which would involve Wall Street in paying premiums to guarantee its own troubled assets.
- Taxpayers would receive non-voting equity warrants in participating financial institutions.
- Limitations are placed on executive compensation and "golden parachutes."
- Extensive oversight by the Congress, a Special Inspector General and the GAO would be required.
- Accountability is built into the purchase of the troubled assets with the last half of the authorized amount subject to Congressional approval.
- If after five years there are any losses to the taxpayer due to the program, the money is to be recouped from the financial industry.



The potential cost of the plan is also a legitimate concern of American taxpayers. It is important to understand that even

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though the Treasury Department has the authority to purchase loans totaling \$700 billion (in three installments) that does not mean that this in any way represents a cost which will be imposed on taxpayers under the bi-partisan proposal. First of all, the \$700 billion authority will be reduced dollar for dollar by the level of insurance coverage provided by the bi-partisan bill. Secondly, as the non-partisan Congressional Budget Office (CBO) explains:

CBO expects that since the acquired assets would have some value, the net budget impact would be substantially less than \$700 billion; similarly, net case disbursements under the program would also be substantially less than \$700 billion over time, because, ultimately, the government would sell the acquired assets and thus generate income that would offset much of the initial expenditures.

I share the skepticism of many Americans concerning the cost estimates made by government relating to its own programs. Throughout its history, the CBO has served in a non-partisan fashion as a watchdog over the federal budget. However, even if one assumes that CBO is somehow wrong, the proposal specifies that if the rescue program has incurred a net loss, the President would be required to submit a legislative proposal to recoup that shortfall from entities benefiting from the program.

Even though this is not the bill I would have written, at a time when the crisis on Wall Street threatens to spread to you and me and our neighbors, it is not enough to say that we will punt. This is not a responsible option when we are talking about American families and American jobs hanging in the balance. When companies are encountering difficulty obtaining short term loans to make their payrolls, when automobiles and other products are not being sold because financing is not available, and when pension funds and the life savings of Americans are in jeopardy, there is no alternative.

We are faced with a potential credit freeze that will impact all of us and cause prolonged pain for the economy and the American people. Congress needs to act.

As I was finishing this message to you, the news broke that the Senate is poised to send us a package which will include the original provisions of the House bill plus: a temporary increase in the FDIC insurance limit to \$250,000, the expansion of the renewable energy tax credits, the business tax credit for research and development, the child tax credit, and relief for millions of families affected by the alternative minimum tax.

In the end, as far as I am concerned, it is NO to a bailout but YES to a rescue plan that protects the American taxpayer.

Sincerely,



Daniel E. Lungren
Member of Congress

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Contact Information

**Washington Office: 2262 Rayburn HOB - Washington, DC 20515
Phone: (202) 225-5716 - Fax: (202) 226-1298**

**District Office: 2339 Gold Meadow Way, Suite 220 - Gold River, CA 95670
Phone: (916) 859-9906 - Fax: (916) 859-9976**

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